

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**MINUTES OF MEETING**  
**DECEMBER 15, 2005**

The Members of the Department of Financial Institutions met at 10:00 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Present from the Department were: Judith G. Ripley, Director; J. Philip Goddard, Deputy Director, Chief Legal Counsel and Secretary; James M. Cooper, Deputy Director, Depository Division; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Supervisor, Administration Division; Mark K. Powell, Supervisor, Credit Union Division, Mark Tarpey, Supervisor, Consumer Credit Division; John Schroeder, Deputy Director, Non-Depository Division and Associate Counsel and Ronda Bailey, Administrative Assistant. Guest representing Tower Trust Company were: Don Schenkel and Gary Shearer. Guests representing German American Bancorp, Jasper, Indiana were: Mark Barnes and Matt St. Louis of Ice Miller.

**I. EXECUTIVE SESSION: 10:00 a.m.**

John Schroeder opened the session with a review of a report of examination, which is confidential as provided in IC 28-1-2-30. This aspect of the Executive Session was authorized by IC 5-14-1.5-6.1(b)(7)

**II. PUBLIC SESSION: 10:30 a.m.**

- A. Members Present: David Bochnowski, Chairman; Joseph Pierce, Vice Chairman; Paul Sweeney, Michael Davis, Travis Holdman and Rick Rice.
- B. Date of next meeting: January 12, 2006 @ 8:30 a.m., Executive Session and Public Session at 9:00 a.m. at the Indiana Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.
- C. Approval of the minutes of the meeting held on November 10, 2005. Chairman Bochnowski entertained a motion to approve the minutes of November 10, 2005 meeting. Mr. Sweeney moved approval of the minutes; Mr. Rice seconded the motion, and the motion passed unanimously.
- D. Chairman Bochnowski entertained a motion to authorize the DFI staff to do any and all things necessary to protect the interest of individuals who might have inventory at the particular pawnbroker that was discussed in the executive session and to take whatever action necessary to preserve their redemption rights. Mr. Pierce moved approval of the motion and Mr. Rice seconded the motion. **The motion was unanimously approved.**
- E. **DIVISION OF BANKS AND TRUST COMPANIES:**
  - 1. **Tower Trust Company, Fort Wayne, Allen County, Indiana**  
Mr. Kirk J. Schreiber, Senior Bank Analyst presented this application. Mr. Schreiber introduced Don Schenkel and Gary Shearer of Tower Bank and Trust Company ("Tower Bank") who were attending the meeting representing the applicant.

Don Schenkel as incorporator has applied to the Members for approval to form a state chartered corporate fiduciary to be known as Tower Trust Company ("Tower Trust") located in Fort Wayne pursuant to IC 28-11-5. The proposed corporate fiduciary will be a pure non-depository trust company that will be wholly owned by Tower Financial Corporation (Tower Financial"), Fort Wayne. Tower Financial is a financial holding company that owns all of the outstanding stock of Tower Bank, a state chartered commercial bank also located in Fort Wayne. Tower Trust will succeed all of the trust business of Tower Bank.

Tower Trust will build upon the trust services business currently conducted by Tower Bank. As of June 30, 2005, Tower Bank had grown to over \$408 million in trust assets under administration with 558 client accounts and 290 client relationships. Tower Trust plans to provide an integrated wealth management solution which includes trust, estate planning, investment management and financial advisory services.

Tower Trust will operate from Tower Bank's existing office located at the Lincoln Tower in Fort Wayne. Tower Trust primary service area will be the Fort Wayne, Indiana Metropolitan Statistical Area ("MSA").

Tower Trust expects to have an initial staff of 15 full time officers and support staff including Chairman and Chief Executive Officer Don Schenkel, President Gary Shearer, Senior Vice President Trust Administration Dave Fee, Senior Vice President Investment Manager Tim Frey, and Vice President Trust Operations Jo Ellen Gustin. This staff has significant trust, investment management and financial services experience.

Background investigations were conducted on the incorporator, directors and officers. The background investigations included criminal checks by the State Police and FBI, credit bureau checks, employment verifications, personal reference checks and a review of financial statements and biographies. No unfavorable responses were noted during the background investigations of these individuals.

Mr. Schreiber indicated that the proposed corporate fiduciary's financial projections show an immediate net profit based on the succession of trust assets from Tower Bank. The projected income figures reflect no capital reduction from the initial paid-in-capital. Tower Trust projects the level of assets under administration to grow from \$489 million after the first year of operation to \$855 million after year 5. The asset and income projections appear reasonable.

Funding for the capital will come directly from Tower Financial. The initial paid-in-capital will be \$2 million. Based on a valuation of Tower Bank's trust department, Tower Financial will also contribute capital in-kind of approximately \$2.9 million for the fair market value of the trust department.

When evaluating the level of capital for the corporate fiduciary, several items should be considered. First the risk of a corporate fiduciary is quite different than a bank; there is no credit risk and much less interest rate risk, thus eliminating the majority of risk to capital inherent in a depository institution. Secondly, the \$2 million in tangible capital is working capital and projections reflect no capital reduction. And finally, Tower Trust has agreed to maintain the capital level of at least \$2 million. Capital appears to be reasonable based on the proposed capital level combined with the pro forma financial information.

The corporate fiduciary and its officers and directors will be added to Tower Financial's current insurance coverage. Tower Trust has agreed to maintain adequate insurance coverage based upon the appropriate risk factors.

To summarize the investigation in connection with the approval factors:

1. The financial standing and character of the incorporator, directors and shareholders are considered acceptable;
2. The character, qualifications and experience of the officers and directors of the proposed corporate fiduciary are considered acceptable;
3. The future earnings prospects for the corporate fiduciary appear reasonable; and
4. The proposed capital of the corporate fiduciary is considered adequate.

Based on these findings and the agreement executed between the Department and Tower Trust relating to the Department's supervision of the corporate fiduciary following its organization, the staff recommends approval of the Tower Trust company application to form a state chartered corporate fiduciary.

After a brief discussion, the Members voted on the formation of Tower Trust with the following votes taken for each of the Factors:

**Factor #1** was voted upon with six favorable votes. There were no unfavorable votes. **Factor #1 was unanimously approved.**

**Factor #2** was voted upon with six favorable votes. There were no unfavorable votes. **Factor #2 was unanimously approved.**

**Factor #3** was voted upon with six favorable votes. There were no unfavorable votes. **Factor #3 was unanimously approved.**

**Factor #4** was voted upon with six favorable votes. There were no unfavorable votes. **Factor #4 was unanimously approved.**

A motion for approval of the de novo application was made by Mr. Holdman and seconded by Mr. Pierce. **The application was unanimously approved.**

2. **German American Bancorp, Jasper, Dubois County, Indiana**

Mr. Kirk J. Schreiber, Senior Bank Analyst presented this application. Mr. Schreiber introduced Mark Barnes and Matt St. Louis of Ice Miller who were attending the meeting representing the applicant.

Mr. Schreiber informed the Members that German American Bancorp, Jasper, Indiana ("GAB") filed an application to acquire 100% of Stone City Bancshares, Inc., Bedford, Indiana ("Stone City"), and thereby acquire its subsidiary bank, Stone City Bank, Bedford, Indiana ("Stone City Bank") pursuant to IC 28-2-14.

GAB and Stone City entered into an Agreement and Plan of Reorganization ("Agreement") dated October 25, 2005. GAB will be the surviving corporation and will continue to operate Stone City Bank as a separate entity. GAB is a multi bank holding company that owns five banks which are headquartered in Jasper, Tell City, Petersburg, Washington, and Vincennes Indiana.

The Agreement provides that each share of Stone City common stock issued and outstanding shall be converted into the right to receive either: GAB common stock; cash; or a combination of cash and GAB common stock. At the effective date of the transaction, GAB is obligated to issue common shares of GAB with an aggregate value of \$4.6 million and to pay cash up to \$6.4 million to the Stone City common stockholders for their Stone City shares for a total transaction value of approximately \$11 million.

Stone City has 775 shares of common stock issued and outstanding. Using a market value of \$13.41 per share for GAB common stock as of December 2, 2005, the purchase price premium would be \$6,500 or 1.85 times book value.

Pro forma financials as of September 30, 2005, reflects a Tie 1 Leverage capital ratio of 7.98% with total assets of approximately \$1 billion and total equity capital of \$92 million for GAB.

The directors and officers of Stone City Bancshares will no longer serve in such capacities. After the effective date of the transaction, the board of directors of Stone City Bank will consist of Donald Henderson, Larry Ikerd, David Parker, Bob Richards and Mark Schroeder. The officers of Stone City Bank will remain unchanged.

The required publications were made and no negative comments were received by the Federal Reserve Bank of St. Louis or the Department on this acquisition.

The Federal Reserve Bank of St. Louis approved this application on December 6, 2005.

Mr. Schreiber informed the Members that it was the opinion of the Department staff that all the statutory requirements of IC 28-2-14-12 have been satisfactorily met and approval is recommended.

Mr. Sweeney abstained from voting on this application due to his relationship as shareholder of GAB. A motion for approval of the application was made by Mr. Davis and seconded by Mr. Rice. **The application was unanimously approved.**

**F. CREDIT UNION DIVISION:**

**1. Members Advantage Credit Union, Michigan City, LaPorte County, Indiana**

This application was presented by Mark K. Powell, Supervisor, Credit Union Division. Members Advantage Credit Union applied to the Members of the Department of Financial Institutions for approval of their proposed merger of ANCO/NWI Federal Credit Union, Michigan City, LaPorte County, Indiana into Members Advantage Credit Union.

This is a voluntary merger being entered into by the Board of Directors of ANCO/NWI Federal Credit Union in order to provide the more complete and sophisticated financial services of Members Advantage Credit Union to the membership of ANCO/NWI Federal Credit Union.

Mr. Powell explained that this merger will have a positive effect upon the balance sheet of Members Advantage Credit Union as capital will increase by 1.77% after the merger.

Mr. Pierce made a motion for approval which was seconded by Mr. Rice. The motion to approve the voluntary merger of ANCO/NWI Federal Credit Union into Members Advantage Credit Union was unanimously approved.

**G. DIRECTOR'S COMMENTS AND REQUESTS :**

1. In the November 10, 2005 Members meeting, Mary Hill, Information Director of the Indiana State Ethics Commission gave a presentation on new ethics rules. Ms. Hill was unable to answer several of the questions posed by the Members and suggested that the Members submit these questions for formal review by the Ethics Commission. Director Ripley informed the Members that the questions had been submitted for a formal advisory opinion. The questions will be discussed at the next Ethics Commission Meeting which will occur January 12, 2006.

**H. ACTIONS BY DELEGATED AUTHORITY:**

**1. Salin Bank and Trust Company, Indianapolis, Marion County, Indiana**

The bank applied to the Department for approval to relocate a branch office from 114 North Main Street, Jonesboro, Grant County, Indiana to 716 East Main Street, Gas City, Grant County, Indiana. The application was received on October 25, 2005. The branch will be known as Gas City Banking Center. The proposed property is already owned by the bank. The existing 1,800 square foot structure, once utilized as a banking office by another financial institution, will be renovated and brought up to current standards in order to serve as a full service banking facility. It is estimated that there will be \$250,000 renovation costs

to the

building. Furniture, fixtures, and equipment are projected at \$85,000. No relationship exists between the parties involved in this transaction. The bank would like to sell its current location but have no prospects at the current time. The expected date to relocate is March 1, 2006. The bank's three-year average ROA is 1.48%. As of June 30, 2005, the bank's ROA is 1.55% and its Tier 1 leverage capital ratio is 9.31%. The investment in total fixed assets to total capital will be 19.97% after the establishment of this branch relocation. The bank will continue to have 32 branches after the relocation. **The Director approved this on November 10, 2005, under delegated authority.**

2. **Community First Bank, Corydon, Harrison County, Indiana**

The bank applied to the Department for approval to establish a branch office to be located at 316 West Tipton Street, Seymour, Jackson County, Indiana. The application was received on October 6, 2005. The branch is to be known as Community First Bank. The proposed branch is a 2,088 square foot newly constructed branch banking office. The applicant is leasing the space from an independent third party for three years with one extension of two years with an annual rental of \$18M. It is estimated that there will be \$25M worth of leasehold improvements. Furniture, fixtures, and equipment costs are projected at \$22M. No relationship exists between the parties involved in this transaction. The bank's three-year average ROA is 0.81%. As of June 30, 2005, the bank's ROA was 0.81% and its Tier 1 leverage capital ratio was 7.38%. The investment in total fixed assets to total capital will increase from 21.86% to 22.09% after the establishment of this branch. This will be the institution's eighth branch. **The Director approved this on November 10, 2005, under delegated authority.**

3. **MainSource Financial Group, Inc., Greensburg, Decatur County, Indiana**

An application was filed for permission to establish an interim bank to be known as MainSource Bank- Crawfordsville. MainSource Bank - Crawfordsville will be a wholly owned subsidiary of MainSource Financial Group, Inc., ("MainSource Financial") Greensburg, Decatur County, Indiana. The interim bank will initially be located at 201 North Broadway Street, Greensburg, Decatur County, Indiana. The interim bank will never be operational and is being formed to facilitate the pending acquisition of Union Federal Savings and Loan Association, Crawfordsville, Montgomery County, Indiana by MainSource Financial through a merger with and into MainSource Bank – Crawfordsville. As a result of the proposed merger, MainSource Bank – Crawfordsville will survive as the wholly owned subsidiary of MainSource Financial and will become a state chartered commercial bank located at 221 East Main Street, Crawfordsville, Montgomery County, Indiana. An application for the merger of Union Federal Savings and Loan Association with and into MainSource Bank - Crawfordsville has been submitted to the Department for approval. If approval for the merger of Union Federal Savings and Loan Association and MainSource Bank – Crawfordsville, as outlined in the application, is not obtained by the necessary regulatory authorities, MainSource Financial will take the steps necessary to dissolve MainSource Bank - Crawfordsville. **The Director approved this on November 10, 2005, under delegated authority.**

4. **DeKalb Financial Credit Union, Auburn, DeKalb County, Indiana**

The credit union requested approval of an amendment to its Articles of Incorporation Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Active members of the Indiana Auctioneers Association – West Lafayette – 600 members (common bond of professional association as defined by 28-7-1-10). **The Director approved this on November 14, 2005, under delegated authority.**

5. **Teachers Credit Union, South Bend, St. Joseph County, Indiana**

The credit union has filed a request for approval of an amendment to its Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Stephen Tankersley, D.D.S. – Niles, MI – 7 members (common bond of occupation as defined by 28-7-1-10).

Khosravani Enterprises of Michigan, LLC – Niles, MI – 1 member (common bond of occupation as defined by 28-7-1-10). **The Director approved this on November 18, 2005, under delegated authority.**

6. **Allstate Home Loans, Inc.** requested a consumer loan license. Applicant is based in Irvine, California. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed at Indiana branches. They currently operate in 27 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**

7. **Ark-La-Tex Financial Services, LLC d/b/a Benchmark Mortgage** requested a consumer loan license. Applicant is based in Dallas, Texas. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed at Indiana branches. They currently operate in 33 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and members of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**

8. **Classic Home Lending, Inc.** requested a consumer loan license. Applicant is based in Houston, Texas. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies. They currently operate in 16 states.

The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be

operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**

9. **Equity Consultants, LLC** requested a consumer loan license. Applicant is based in Richfield, Ohio. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed at Indiana branches. They currently operate in 10 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and members of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2) **The Director approved this on November 14, 2005, under delegated Authority.**

10. **Fast Cash Of Northern Indiana, LLC** requested a consumer loan license. Applicant is based in LaPorte, Indiana. They will be making single-pay, short-term loans under IC 24-4.5-7. They will be servicing their loans. Mr. Patrick A. Wilkins, sole member and owner of Fast Cash of Northern Indiana, LLC, an applicant for a Small Loan License, and his attorney, James W. Kaminski, appeared in the office of the department for an interview. Representing the Department were John Schroeder, Deputy Director; Phil Goddard, Deputy Director/Chief Legal Counsel; Mark Tarpey, Division Supervisor; and Robert W. Benbow, Field Supervisor. Several payday lending issues were discussed with the applicant, including the debt treadmill, limitations on collections and legal actions, maximum charges, income requirements to qualify for the loan, and limitations on the number of loans. The consensus of those Department representatives present was that it appears the Applicant is sincere and wants to operate a legitimate small loan company. They are willing to sign a Memorandum Of Understanding (MOU) agreeing not to expand its current ownership and/ or management group to include any person as an officer, employee, assistant, consultant, or in any other official or unofficial capacity that is or has been involved, either individually or through some form of ownership, in any business the Department has determined to have engaged in disguised lending and/or subterfuge. Applicant will remain in compliance with small loan statutes and the Department's interpretation of same, and to accept responsibility for all the entity's actions as officers of the newly licensed company; then they should be granted a loan license. They would be subject to examination once the business has been established to insure compliance with the MOU. The staff's review finds that the financial responsibility, character and fitness of the applicant is such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). Applicant is recommended for approval upon execution of the MOU. **The Director approved this on November 14, 2005, under delegated Authority.**

11. **Greenwood Capital, LLC** requested a consumer loan license. Applicant is based in Greenwood Village, Colorado. They will be making second mortgage loans. They will not

be servicing their loans. Loans will be closed by title companies/attorneys. They currently operate in 4 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and members of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**

12. **Lending Solutions, Inc.** requested a consumer loan license. Applicant is based in Duluth, Georgia. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies/attorneys. They are a new company that hopes to operate in 32 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors/members of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**
13. **Meridias Capital, Inc.** requested a consumer loan license. Applicant is based in Henderson, Nevada. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies/attorneys. They currently operate in 17 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**
14. **New Equity Financial Corporation** requested a consumer loan license. Applicant is based in Louisville, Kentucky. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies. They currently operate in 16 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**
15. **Residential Loan Centers Of America, Inc.** requested a consumer loan license. Applicant is based in Des Plaines, Illinois. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies. They currently operate in 14 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**
16. **The Trustees of Indiana University** requested a consumer loan license. Applicant is based in Bloomington, Indiana. They will be making loans to employees and students from \$50 to

\$4000. They will be servicing their loan. The staff's review finds that the financial responsibility, character and fitness of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**

17. **UBS Real Estate Securities, Inc.** requested a consumer loan license. Applicant is based in New York, New York. They will be making second mortgage loans. They will be servicing their loans. Loans will be closed by title companies. They currently operate in 12 states. The staff's review finds that the financial responsibility, character and fitness of the applicant and officers and directors of the applicant are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 24-4.5 and as stipulated in IC 24-4.5-3-503(2). **The Director approved this on November 14, 2005, under delegated Authority.**
18. **Southern Indiana Credit Corporation d/b/a Credit Til Payday** requested a check casher license. Applicant is based in Lawrenceburg, Indiana. They will be cashing all types of checks. Fees will range from 4% to 10% (personal checks). References were all satisfactory. The staff's investigation finds that the financial responsibility, business experience, character, and general fitness of the applicant and of the officers and directors are such as to warrant belief that the business will be operated honestly and fairly within the purposes of IC 28-8-5-12(a). **The Director approved this on November 14, 2005, under delegated Authority.**

**CERTIFICATION:**

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the Public Session.

**APPROVED:**

**ATTEST:**

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**David A. Bochnowski, Chairman**

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**J. Philip Goddard, Secretary**